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OCI No. 1756/63

CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
14 May 1963

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: India's Third Five-Year Plan Continues
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1. The first two years of India's Third Five-Year Plan (1961-66) have not gone well

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2. There has been no significant gain in food-grain production during the past two years (78.6 and 80.8 million tons as compared with 79.7 million tons produced in 1960). This failure is the more serious because India must obtain nearly 2 million additional tons each year merely to keep pace with the annual net increase of 10 million in its population.

3. Unfavorable weather has held production back, but India's continuing inability to improve per-acre yields is the major factor in limiting new gains. Supplies and prices of food grains have remained satisfactory only because imported grain--much of it from United States PL-480 stocks--has been available in emergencies. Tea, jute, and cotton--India's main cash crops--have encountered problems in transportation and marketing because of depressed domestic or world prices and dislocation caused by the Chinese invasion last fall.

4. The record of industrial production has been better than that of agriculture, but still is not good. Increases of 5.6 percent in 1961-62 and 8 percent in 1962-63 appear meagre in comparison to the overall 70 percent called for at the end of the five years of the Third Plan. Plagued by shortages of power, transportation, raw materials, and spare parts, industry is still producing at a rate below plan targets.

State Dept. review completed

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5. Finished steel production increased in 1962-63, but after two full years of the Third-Plan period it had still not reached Second-Plan goals for 1960-61. With three public sector steel mills belatedly reaching capacity production in late 1962, production figures are expected to rise during the current year and then to remain constant until new, expanded plant facilities become available.

6. Cement remains in short supply, though production in the first quarter of 1963 slightly surpassed that of the last quarter of 1962. Fertilizer production has set new records, but it still supplied only 60 percent of the demand in 1961-62 and 70 percent in 1962-63. Only the railway transportation picture seems to have improved significantly over the past year. For the first time the railways were able to meet a major emergency in one part of the country without disrupting service to another.

7. Businessmen are discouraged and apprehensive over the possible effects of new taxes announced with the government budget on 28 February. They are also worried over the fact that new defense production orders have not been placed with the private sector.

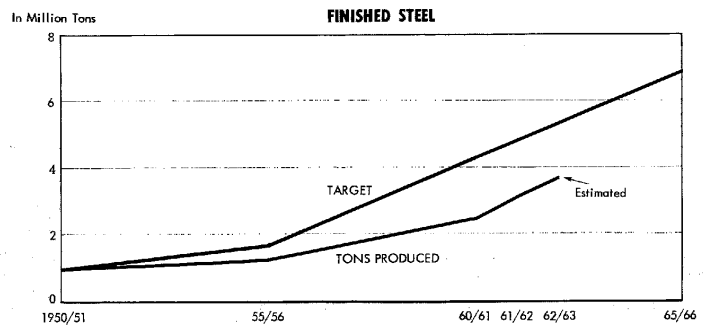
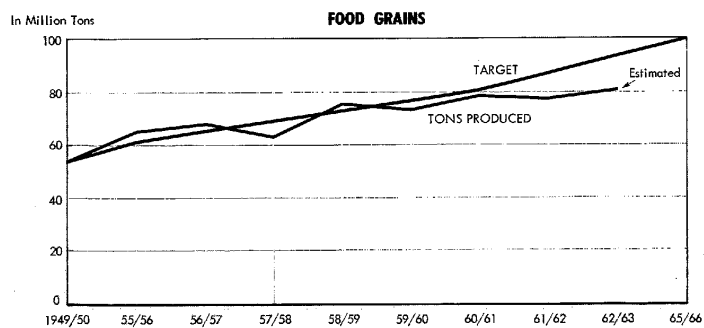
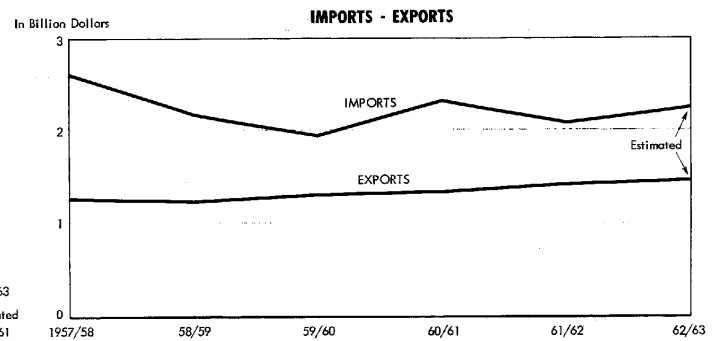
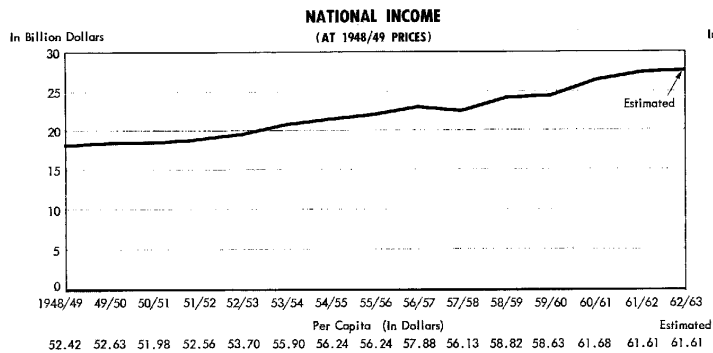
8. The money market has been depressed during the past six months. New stock issues offered between January and March 1963 were less than half those offered during the first quarter of 1962. With few exceptions, foreign interest in investment in Indian industry has dropped markedly since last October, though perhaps only temporarily.

9. After a brief burst of enthusiasm connected with early efforts to boost defense production, industrial labor's energy has slackened and trade unions are turning back to consideration of their normal grievances. The cost of living has gone up somewhat, but there has been no important reduction as yet in the availability of consumer goods as the result of any shift toward defense production.

10. In the field of foreign trade, India's imports have continued at a high level over the past five years despite severe restrictions which are still in force. At the same time, even with intensive efforts,

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India has been unable significantly to increase its exports, which apparently did not meet the target for 1962-63. Special efforts to reduce the disparity between imports and exports in 1962-63 helped improve the trade balance and contributed to a mild strengthening of India's foreign exchange position, but they simultaneously slowed industrial development.

11. These considerations seem certain to make India's leaders even more inclined than heretofore to seek as much foreign assistance as they can get over a number of years to provide defense production tools or to supply, maintain, and replace armaments and other military equipment items for use against the Chinese Communists. (See Charts)

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